

GWALIA (U.S.A.) LTD.



12 January 1990

Barite Hill Project
P.O. Box 1510
McCormick, SC 29835
Telephone: (803) 465-3313
Facsimile: (803) 465-3208

Mr. William L. Covington
Manager, Minerals & Real Estate
Georgia-Pacific Corp.
133 Peachtree Street, N.E. (30303)
P.O. Box 105605
Atlanta, Georgia 30348-5605

*ATTEND. MINERALS AND Real Estate Dept
P.O. Box 105605*

Re: Barite Hill, S.C. Lease, Fourth Quarter 1989 Summary.

Dear Mr. Covington,

Attached is an activity report as called for in Section 15 of the Exploration and Mining lease between Georgia-Pacific Corp. and Gwalia (USA) Ltd. (this lease formerly assigned to Brunswick Pulp Land Co. and Amselco/BP Minerals Inc.), dated 20 November 1987.

On 9 January 1990, I spoke with Mr. Kevin Stout, District Forest Manager, Prosperity, S. C., in regards to this matter. He requested that he be copied on correspondence originating from this office pertaining to the above mentioned lease. It is also my understanding that he will be Gwalia's field contact in regards to any proposed activities on GP property in the future.

Gwalia has completed by 20 November 1989 its 2,000 foot drilling commitment on the Brunswick-GP property holdings by concentrating on two areas. The first area, just west of the Rainsford and Sons tract (in adjoining GP land) was drilled with a network of shallow holes. Results from this drilling have not been encouraging. The other area of concentration was on the Jennings Trend from the vicinity of Amselco trench BHT-43 and to the west. In this area, results were disappointing except to verify the Au-anomalous area which has been mentioned previously by Amselco/BP.

Complete results are pending, and they will be made available in the near future.

I must apologize for the delay in getting this information to you. In the future, GP will be notified of any plans Gwalia may have for the GP properties.

If you have any questions, please contact me.



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Mr. Covington
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Sincerely,

A handwritten signature in cursive script, appearing to read "David Halverson".

David Halverson
Mine Engineer

DH/baw

Enclosure

cc. Michael Drozd
Gwalia Office (Denver)

CONFIDENTIAL

Barite Hill, Brunswick Lease Activity Report, 1989

Since acquisition of this lease from BP Minerals America this year, Gwalia has completed its work commitment of 2,000 feet of required exploration drilling on the Brunswick lease properties in McCormick County, South Carolina.

Gwalia has performed the work commitment as outlined in Section 15, Article 4 of said lease, effective 20 November 1987. To date, a total of 2,150 feet of exploration drilling have been completed on parcels 1 & 2.

At the Rainsford west extension, a network of shallow holes were drilled (up to 8' in depth) in a grid across the mineralized trend and were spaced initially at 50 feet and then down to 12.5 feet. A sample interval of up to four feet was used, depending on the penetration of the hole. To accomplish this drilling, a hand held power auger was used. Many assays are pending, but at present the results have not shown any significant Au-anomalies.

On the Jennings Trend, the drilling completed was done in much the same manner. In this area the drilling approximated the existing mine grid at E-W intervals of about 100 feet or less.

This group of holes was targeted in the vicinity of Amselco trench BHT-43 and to the west to test the possibility of expanding upon this anomaly. To date, this anomaly has been verified, but complete information is required so that an evaluation can be made as to whether additional work in this area is warranted.